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Municipal Financial Reporting Handbook



Ontario

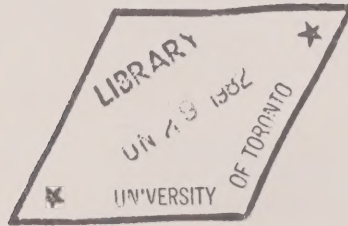
Ministry of
Municipal Affairs
and Housing

Hon. Claude F. Bennett
Minister

R.M. Dillon
Deputy Minister

Municipal Management Policy Branch
Municipal Operations Division

January, 1983



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AUTHORITY

The authority for the publication of the contents of this handbook is contained in section 84 of the Municipal Act, Chapter 302 and Part II, section 3 of the Municipal Affairs Act, Chapter 303 of the Revised Statutes of Ontario 1980.

EFFECTIVE DATE

This handbook is to become effective on January 1st, 1983 with the following exceptions;

- (1) until a date determined by the Ministry of Municipal Affairs and Housing the principle covering the basis of consolidation of the financial statements will not apply to the operations of hydro-electric utilities or municipal hospitals. It will be required, however, that the financial statements, including the auditor's report of such hydro electric utilities form part of the annual financial statement package of the municipality responsible for the utility;
- (2) the implementation of accrual accounting for interest on long term liabilities may be deferred by the municipality until January 1st, 1985;
- (3) the implementation of accrual accounting for sick leave liabilities incurred under section 208 (47) of the Municipal Act Chapter 302 of the Revised Statutes of Ontario 1980, is to be deferred until such time as the Ministry of Municipal Affairs and Housing shall determine.

ADDITIONS AND REVISIONS

Accounting is not static. As a result periodic reviews and amendments to this handbook will be required. All additions and revisions to this handbook will be issued and identified as "Handbook revisions".

APPLICATION

The following accounting principles have been developed for application by Ontario municipalities and their local boards and are intended to be used in the preparation of the annual, audited consolidated financial statements.

This codification is to deal only with accounting principles that apply in a unique way to Ontario municipalities. The Handbook of the Canadian Institute of Chartered Accountants should be reviewed as an authoritative source of guidance as to views on any matter in which the Municipal Financial Reporting Handbook is silent.

STANDARDS OF DISCLOSURE

Any information required for fair presentation of the results of operations, financial position, and changes in financial position, should be presented in the financial statements including notes to such statements.

Where the accounting treatment or statement presentation does not follow the accounting principles or financial disclosure recommendations, the practice used should be explained in the notes to the financial statements with an indication of the reason why the recommendation concerned was not followed.

Financial statements should be prepared in such form and use such terminology and classification of items that significant information is readily understandable. Items, not significant in themselves, should be grouped with such other items as most closely approximate their nature.

Where the basis of valuation of assets is not self-evident the basis should be explicitly stated.

Recommendations need not be applied to immaterial items. What materiality is in a particular circumstance is a matter of judgement. As a general rule, materiality may be judged in relation to the reasonable prospect of its significance in the making of decisions by the readers of the financial statements. This would include the ratepayers and inhabitants of a municipality, its council, the investment community, and various regulatory bodies and senior level government departments who have an interest in the activities of the municipality.

When applying this principle, consideration should be given, for example, to the dollar value of particular types of revenue and expenditure in relation to total revenues or expenditures and to the nature of the transaction, i.e. in the normal course of municipal activities or one that is unusual to municipal activities.

Every municipality should annually prepare as a minimum, the following financial statements:

- (a) a Consolidated Statement of Operations
- (b) a Consolidated Balance Sheet
- (c) a Trust Funds Statement of Continuity and Balance Sheet
- (d) Notes to the Financial Statements

AUDITORS REPORT

The consolidated financial statements should be accompanied by an auditor's report in a form that is acceptable to the Canadian Institute of Chartered Accountants, the Institute of Chartered Accountants of Ontario, and meets the requirements of the Ministry of Municipal Affairs and Housing.

Audit reports should be prepared for each local board that is not consolidated or when requested by the management of any local board whether it is consolidated or not.

COMPARATIVE STATEMENTS

The financial statements should be prepared on a comparative basis showing as a minimum the figures for the corresponding preceding period, and, where practical the estimates of the current year.

ACCOUNTING AND REPORTING CAPABILITIES

The municipal accounting system should make it possible to:

- (a) determine and demonstrate compliance with legal provisions and;
- (b) prepare financial statements that present fairly and with full disclosure the results of operations, and the financial position of the municipality in conformity with generally accepted accounting principles for Ontario municipalities.

BASIS OF ACCOUNTING

Revenues and expenditures should be reported on the accrual basis.

Revenues should be recognized in the accounting period in which they become available and measurable.

Expenditures should be recognized in the accounting period in which they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

CHANGE IN ACCOUNTING POLICY

Where there is a choice from among two or more appropriate principles or methods used in their application and a change is made, the new accounting policy should be applied retroactively, except in those circumstances where the necessary financial data is not reasonably determined.

Where a change in an accounting policy is applied retroactively, the financial statements of all prior periods presented for comparative purposes should be restated to give effect to the new accounting policy.

For each change in an accounting policy in the current period, the following information should be disclosed in a note to the financial statements;

- (a) a description of the change;
- (b) the effect of the change in the financial statements for the current period; and
- (c) the effect on municipal equity.

BASIS OF CONSOLIDATION

The financial statements should be consolidated on the basis of the political accountability of the municipal council with respect to the activities carried out by the municipality, its local boards and joint local boards.

A local board is defined under the Municipal Affairs Act as

“ ‘local board’ means a school board, public utility commission, transportation commission, public library board, board of park management, local board of health, board of commissioners of police, planning board, or any other board, commission, committee, body or local authority established or exercising any power or authority under any general or special Act with respect to any of the affairs or purposes, including school purposes, of a municipality or of two or more municipalities or parts thereof.”

Joint local boards should be reported by the municipality that is deemed to have effective control of the joint local board.

Each municipality participating in the activities of the joint local board should by way of a note to the financial statements disclose the amount of any contribution made to the joint local board along with the amounts of liability both real or contingent, that the municipality has or may be required to meet on behalf of the joint local board.

Political accountability of the municipal council will not exist where:

- (a) the governing body of an entity is separately elected (e.g. school boards); or
- (b) by virtue of a special or separate Act the entity is not deemed to be a local board (e.g. conversation authority).

All entities, whether consolidated or not consolidated in the financial statements should be identified in the notes to the financial statements.

TRANSLATION OF FOREIGN CURRENCY

Assets and liabilities expressed in a foreign currency should be translated into Canadian dollars at the current rate of exchange at the balance sheet date, except for long term liabilities and other restricted foreign currency balances which should be translated into Canadian dollars at the rate of exchange when the transaction occurred. A note to the financial statements is required where the carrying value differs significantly from the translated value at the end of the year.

INVESTMENTS

All investments should be shown at their original cost.

Where market value differs from cost, market value should also be disclosed.

Where there has been a loss in value of an investment that is other than a temporary decline, the investment should be written down to recognize the loss.

A write-down of an investment to reflect a loss in value should not be reversed if there is a subsequent increase in value.

ALLOWANCES

All assets should be reported net of any allowance for the possible decline or loss of value of the asset.

INVENTORIES

Inventories should be reported on the basis of all costs that can be reasonably attributed to it. The basis of valuation of inventories should be clearly stated in the financial statements.

If the method of determining cost has resulted in a figure which does not differ materially from recent cost, the simple term "cost" is considered to be suitable in describing the basis of valuation. Otherwise, the method of determining cost should be disclosed.

Any change in the basis of valuation from that used in the previous period, and the effect on the net revenue for the period should be disclosed.

PREPAID EXPENSES

Prepaid expenses should be reported on the basis of the unexpired portion of their cost determined on the basis of lapse of time or other basis appropriate to the nature of the prepayment.

CAPITAL OUTLAY TO BE RECOVERED IN FUTURE YEARS

The historical cost and accumulated depreciation of fixed assets should not be recognized for municipal purposes. The principal portion of unmatured long term liabilities, and capital leases should be reported as capital outlay to be recovered in future years on the consolidated balance sheet.

CAPITAL OUTLAY

Capital outlay includes one or both of two elements:

- (a) capital expenditure; and
- (b) transfers of capital funds to other organizations.

Capital expenditure is defined as any significant expenditure incurred to acquire or improve land, buildings, engineering structures, machinery and equipment used in providing municipal services. It includes vehicles, office furniture and equipment. This expenditure normally confers benefit lasting beyond one year and results in the acquisition of, or extends the life of, a fixed asset.

Expenditure on repair or maintenance designed to maintain an asset in its original state is not capital expenditure.

Transfer of capital funds to other organizations is defined as money transferred for capital purposes to local boards, municipal enterprises, hospitals, universities, similar organizations and individuals for which the municipality may incur long term liabilities.

Capital outlay is determined by the nature of the transaction, not by the method of financing. Financing from the sale of debentures, provincial or federal subsidies, reserves or reserve funds, the revenue fund or from whatever source - is entirely irrelevant in determining whether the transaction is a capital expenditure.

CAPITAL LEASES

A capital lease is defined as a lease that, from the point of view of the lessee, transfers substantially all the benefits and risks incident to ownership of property to the lessee.

A capital lease is to be reported as part of the capital outlay to be recovered in future years and as a long term liability on the balance sheet.

(See Appendix B)

NET LONG TERM LIABILITIES

The consolidated financial statements should disclose the total debt outstanding as at the date of the balance sheet adjusted to reflect the obligations assumed by or from other municipalities, non-consolidated local boards, school boards, and others.

The capitalized value of the debt incurred as the result of a capital lease agreement is to be included in the total of long term liabilities.

The net long term liabilities as reported on the balance sheet should be supported by way of a note to disclose:

- (a) the total outstanding long term liabilities incurred by the municipality for all purposes including investments in own debentures held by reserve funds of the municipality;
- (b) the total outstanding of all principal charges assumed from other municipalities;
- (c) the total of all principal charges assumed by other municipalities, non-consolidated local boards, school boards and others;
- (d) the total value of all sinking funds and Ministry of Environment Debt Retirement Funds that have been accumulated to the date of the balance sheet to retire related long term liabilities;
- (e) the total of all principal charges issued as tile drainage or shoreline property assistance loans assumed by individual ratepayers; and
- (f) a schedule of principal payments in five year intervals from the date of the balance sheet showing also the source of revenues for such payments, e.g. general municipal revenue, benefitting landowners, municipal utilities, etc.

MUNICIPAL EQUITY

The consolidated financial statements should disclose separately the equity position of the municipality as at the date of the balance sheet. Municipal equity should include but is not limited to the following:

- (a) the net revenue or deficit of the municipality and its consolidated local boards that is available to offset or to be added to taxation and/or user charges in the next fiscal year;
- (b) unfinanced capital operations or unexpended capital funds at the end of the year;
- (c) amounts appropriated from net revenue by council and set aside as reserves or reserve funds to meet future anticipated commitments or any other purposes;
- (d) amounts received or amounts required to be set aside as reserve funds as a result of federal or provincial legislation or regulation; and
- (e) amounts received as pre-levies of local improvement charges.

RESERVES

Reserves should be limited to amounts which, though not required to meet a liability or contingency known or admitted or a decline in value which has occurred as at the balance sheet date, have been appropriated from net revenue at the discretion of council.

All increases or decreases in reserves should be reported as appropriations to or from reserves.

Reserves should be shown as part of municipal equity.

Changes in reserves during the period together with a list of the individual reserves with comparative figures should be disclosed by way of a note to the financial statements.

RESERVE FUNDS

A reserve fund should be limited to amounts which have been:

- (a) set aside in a separate account by council for a specific purpose designated by a by-law; or
- (b) required to be set aside for specific purposes as set out in a federal or provincial statute, provincial regulation, or by agreement such as those with subdividers.

All increases or decreases in reserve funds should be reported as appropriations to or from reserve funds.

Reserve funds should be shown as part of municipal equity.

Changes in reserve funds during the period together with a list of the individual reserve funds with comparative figures should be disclosed by way of a note to the financial statements.

CONTINGENCIES

A contingency is defined as an existing condition or situation involving uncertainty as to possible loss or gain to a municipality that will ultimately be resolved when one or more future events occur or fail to occur.

Contingencies would include, but are not limited to, pending or threatened litigation, retroactive wage settlements, and guarantees of long term indebtedness in the name of the municipality but assumed by others.

Contingent Losses

The amount of a contingent loss should be accrued in the financial statements by a charge to revenue when both of the following conditions are met:

- (a) it is likely that a future event will confirm that an asset had been impaired or a liability incurred at the date of the financial statements; and
- (b) the amount of the loss can be reasonably estimated.

The existence of a contingent loss at the date of the financial statements should be disclosed in notes to the financial statements when:

- (a) the occurrence of the confirming future event is likely but the amount of the loss cannot be reasonably estimated; or
- (b) the occurrence of the confirming future event is likely and an accrual has been made but there exists an exposure to loss in excess of the amount accrued; or
- (c) the occurrence of the confirming future event is not determinable.

Contingent Gains

Contingent gains should not be accrued in the financial statements.

When it is likely that a future event will confirm that an asset had been acquired or a liability reduced at the date of the financial statements, the existence of a contingent gain should be disclosed in notes to the financial statements.

Note Disclosure

When the existence of a contingent loss, or a contingent gain which has not been accrued, is disclosed in a note to the financial statements, the information should include:

- (a) the nature of the contingency;
- (b) an estimate of the amount of the contingent gain or loss or a statement that such an estimate cannot be made; and
- (c) whether any settlement resulting from the resolution of the contingency is expected to be accounted for as a prior period adjustment or as a charge or credit to revenue of the period in which the settlement occurs.

SUBSEQUENT EVENTS

Financial statements should be adjusted when events occurring between the date of the financial statements and the date of their completion provide additional evidence relating to conditions that existed at the date of the financial statements.

Adjustments of the financial statements for subsequent events is not appropriate if such events do not relate to conditions existing at the financial statement date. To reflect the effect of such events would not be consistent with the concept that a balance sheet represents the financial position at the financial statement date.

Financial statements should not be adjusted for, but disclosure should be made of, those events occurring between the date of the financial statements and the date of their completion that do not relate to conditions that existed at the date of the financial statements but:

- (a) cause significant changes to assets or liabilities in the subsequent period; or
- (b) will, or may, have a significant effect on the future operations.

Disclosure of a subsequent event that does not require adjustment of the financial statements should include:

- (a) a description of the nature of the event; and
- (b) an estimate of the financial effect, when practicable, or a statement that such an estimate cannot be made.

REPORTING OF REVENUES AND EXPENDITURES

The financial statements should report gross revenues and gross expenditures.

For the purposes of the Consolidated Statement of Operations, the term revenue shall include proceeds from the issuance of long term liabilities.

The netting of revenues and expenditures is appropriate only for charges for long term liabilities issued by the municipality but assumed by other bodies which are not consolidated.

Lower tier municipalities should report the amounts received or receivable on behalf of an upper tier municipality or school board as a note to the financial statements or as a reduction of revenue.

Amounts levied and recovered with respect to debentures issued under the Tile Drainage Act or the Shoreline Property Assistance Act should be reported only as a note to the financial statements and should not be included as either revenues or expenditures in the financial statements.

REDUCTION OF TAXATION REVENUE

Taxation revenue that is reduced or written off due to a change in the assessment base should be reported under one of the following methods:

- (a) where the amount reduced or written off has been levied in the current reporting year and would normally be included as part of the total taxation revenue for the year, the amount reduced or written off should be subtracted from the total taxation revenue for the year.
- (b) where the amount reduced or written off has been levied in a prior period or periods, the reduction or write-off where it has not been provided for by an allowance and where it is material should be treated as a prior period adjustment. In those instances where no allowance has been provided and the amounts are not material, the amounts to be reduced or written off should be treated as an expenditure of the current year.

All other taxation revenue that is reduced or written off as a result of a decision of council, regardless of when the tax was levied should be reported as an expenditure of the current year.

PRIOR PERIOD ADJUSTMENTS

Prior period adjustments should include only adjustments which have all four of the following characteristics:

- (1) are specifically identified with and directly related to the municipal activities of particular prior periods;
- (2) are not attributable to economic events occurring subsequent to the date of the financial statements for such prior periods;
- (3) depend primarily on decisions or determinations by persons other than appointed or elected officials of the municipality; and
- (4) could not be reasonably estimated prior to such decisions or determinations.

Prior period adjustments should be excluded from the determination of net revenue (or deficit) for the current period and applied retroactively to the net revenue (or deficit) after extraordinary items of the periods to which they relate.

The financial statements of prior periods that are presented for comparative purposes should be restated to give effect to a prior period adjustment.

When there has been a prior period adjustment in the current period, the following information should be disclosed in a note to the financial statements:

- (a) a description of the prior period adjustment;
- (b) the effect of the prior period adjustment on the financial statements of the current and prior periods; and
- (c) the fact that the financial statements of prior periods that are presented have been restated.

PRIOR PERIOD ERRORS

The correction in the current period of an error in prior period financial statements should be accounted for retroactively. The financial statements of all prior periods presented for comparative purposes should be restated as necessary.

Where there has been a correction identified in the current period of an error in prior period financial statements, the following information should be disclosed in a note to the financial statements:

- (a) a description of the error;
- (b) the effect of the correction of the error on the financial statements of the current and prior periods; and
- (c) the fact that the financial statements of prior periods that are presented have been restated.

EXTRAORDINARY ITEMS

Extraordinary items should include only gains, losses, and provisions for losses which, by their nature, are not typical of the normal activities of the municipality, are not expected to occur regularly over a period of years and are not considered as recurring factors in any evaluation of the ordinary operations of the municipality.

Extraordinary items, as distinct from prior period adjustments, should be disclosed separately on the Consolidated Statement of Operations in such a manner that users of the statement may be able to determine the nature of the occurrences giving rise to the extraordinary items.

Each extraordinary item should be shown separately and its nature described. Items resulting from events and transactions of a similar nature may be shown in the aggregate and dissimilar items should be shown separately.

CONSOLIDATED BALANCE SHEET

The Consolidated Balance Sheet is to report the financial position of the municipality including the revenue fund, reserves, reserve funds, and the capital fund together with the assets and liabilities of such local boards, municipal enterprises, and utilities as required under the general accounting principle of consolidation.

Assets, liabilities and residual balances for trust and sinking funds are not to be consolidated.

For the purpose of these statements, accounts receivable and accounts payable between consolidated funds and entities are to be eliminated.

Assets are to be segregated between unrestricted and restricted - so as to identify those funds which are available for current purposes from those which have been or are required to be set aside for specific purposes.

Within these categories assets are to be arranged in order of their liquidity.

Liabilities are to be arranged in order of liquidation.

In those instances where an asset of a reserve fund does not meet the requirements of the Trustee Act, a note to the financial statements is required.

CAPTION CONTENT

ASSETS

Unrestricted and restricted

Cash

- all cash including bank and other deposits that are available on demand.
- cash in foreign currencies is to be converted to Canadian dollars at the exchange rate in effect at the date of the balance sheet.

Investments

- all investments held by the municipality including those investments in its own debentures or notes.
- all investments shall be shown at cost (market value is also to be disclosed in the notes to the financial statements).

- investments in foreign currency are to be converted to Canadian dollars at the rate of exchange in effect at the date of the balance sheet.

Taxes receivable

- the balance of outstanding taxes including those items that have been added to the tax roll, such as utilities arrears, drainage charges, local improvement charges, and the accumulated penalties and interest charges against such taxes, less any allowance for uncollectable taxes.
- the balance of the tax sale or tax registration account, less any allowance for loss on sales.
- includes outstanding balances for the recovery of tile drainage and shoreline property assistance loans.

User charges receivable

- user charges receivable including those for water works, sewer surcharges and transit, less any allowance for uncollectable accounts.

Accounts receivable

- amounts receivable for goods or services, including amounts receivable from other governments for the sale of goods or services arising during the normal course of business, less any allowance for uncollectable accounts.
- amounts receivable from any department or agency of the Government of Canada for such items as subsidies, payments in lieu of taxes, less any allowance for uncollectable accounts.
- amounts receivable from any ministry or agency of the Province of Ontario for such items as subsidies, payments in lieu of taxes, sales tax rebates, less any allowance for uncollectable accounts.

Other current assets

- amounts set up as inventories.
- include any amounts set up as prepaid operating expenses.
- all funds held on behalf of the municipality for repairs, renewals and contingencies by the Ministry of the Environment.
- amounts set up as underlevies with respect to the region (county) or school boards and shown as deferred expense.

Long term receivables

- any long term receivable such as Ontario Home Renewal Program loans.

Capital outlay to be recovered in future years

- capital expenditures and capital transfers to the extent that with the approval of the Ontario Municipal Board (or private legislation) have been financed from the issue of long term liabilities.
- the total of capital outlay to be recovered in future years equals the total of net long term liabilities.

Include here:

- works under the Local Improvement Act, the Drainage Act and section 218 of the Municipal Act, R.S.O. 1980, where Ontario Municipal Board approval has been obtained for long term debt which has been issued. Both the landowners' share and the municipality's share that have Ontario Municipal Board approval for the issue of debentures should be reflected here.
- intangible assets for which long term liabilities have been incurred, such as capital grants to universities and hospitals.
- capitalized lease agreements.
- sewage works and water works constructed by the Ministry of the Environment on behalf of the municipality under a construction and operation agreement, but not a service agreement.

Do not include here:

- work in progress and other capital expenditures and capital transfers to be met, from the proceeds of long term liabilities or from the revenue fund within the term of council are to be reported as part of municipal fund balances.
- amounts transferred to unconsolidated entities are not reported in these financial statements.
- amounts transferred to landowners under the Tile Drainage Act and the Shoreline Property Assistance Act.

LIABILITIES

Temporary loans

- include short term borrowing pending receipt of revenues, temporary financing for capital purposes, and bank overdrafts.

Accounts payable and accrued liabilities

- trade accounts payable, payroll deductions, holdbacks and accrued liabilities for goods and services received before the year end.
- amounts payable to the Government of Canada, the Province of Ontario and to other municipalities.
- amounts payable to non-consolidated local boards, municipal enterprises, utilities, trust funds and sinking funds.
- amounts payable to school boards.
- amounts payable to the region (county).

Other liabilities

Include here any other liabilities such as

- special charges commuted.
- other deferred and restricted revenues.
- overlevies with respects to region (county) and school boards.

Net long term liabilities

- net long term liabilities are the total debt incurred adjusted to reflect the obligations assumed by or from other municipalities, non-consolidated local boards, school boards, and others.
- investments in the municipality's own debentures held in the consolidated funds are not to be eliminated.
- the total of net long term liabilities equals the total of capital outlay to be recovered in future years.

- net long term liabilities are to be reported at par value, in Canadian dollars at the effective rate of exchange when the liability is incurred.

The balance of net long term liabilities is to be calculated as follows:

- long term liabilities incurred by the municipality including those incurred on behalf of other municipalities, non-consolidated local boards, municipal enterprises, utilities, school boards, and others;
- **add** long term liabilities incurred by other municipalities and assumed by the reporting municipality;
 - **add** the capitalized value of the debt acquired under a capital lease agreement;
 - **deduct** long term liabilities incurred by the reporting municipality and assumed by others including other municipalities, non-consolidated local boards and school boards;
 - **deduct** long term liabilities for tile drainage and shoreline property assistance loans; and
 - **deduct** the total value of sinking funds and the balance in the Ministry of the Environment Debt Retirement Fund.

Fund balances at the end of the year

Include here:

- accumulated net revenue (deficit) of the municipality and its consolidated local boards, municipal enterprises, and utilities that is available to reduce or to be added to taxation or user charges in the next fiscal year;
- unfinancial capital outlay; and
- unexpended capital financing including a prepaid capital receipt or prepaid capital grant.
- amounts set aside for specific purposes such as reserves or reserve funds created by Council or as required by legislation, regulation or agreement:
 - by Council includes reserves and reserve funds under section 164 and 165 of the Municipal Act, R.S.O. 1980.;
 - by legislation, regulation, or agreement includes reserve funds for Ontario Home Renewal Program loans, and cash payments made by subdividers in lieu of lands dedicated for park purposes under section 36 (11) of the Planning Act, R.S.O. 1980.; and
 - set aside for capital purposes under section 170 of the Municipal Act, R.S.O. 1980.

CONSOLIDATED STATEMENT OF OPERATIONS

The Consolidated Statement of Operations is to report the operations and equity balances of the municipality including the revenue fund, capital fund, and the operations of such local boards and joint local boards as required under the general accounting principles for consolidation and for the reporting of revenues and expenditures. Separate supporting schedules may be prepared for the revenue, capital and reserve fund transactions.

That portion of capital transactions that have been or are to be financed through the incurrence of long term liabilities are to be reported in this statement.

Revenues are to be classified by source; current expenditures by function; and capital expenditures by function or by activity e.g. parks, arenas etc..The number of individual items to be disclosed should be based solely on the principle to disclose significant information in a meaningful way.

The reporting by lower tier municipalities of the amounts received or receivable in respect to upper tier municipalities and school boards should follow one of the following two methods:

- (1) as a reduction of revenues from taxation and user charges; or
- (2) as a note to the financial statements.

CAPTION CONTENT

SOURCES OF FINANCING

Taxation and user charges

Taxation

- all revenues from the imposition of taxation including those levied by a mill rate on assessment, local improvements, special charges, payments in lieu of taxes, telephone and telegraph taxation.
- total taxation should be segregated into residential and farm; commercial, industrial and business; and payments in lieu of taxes from other governments.
- includes prelevies for local improvements.
- taxation revenues that are reduced or written off are to be reported as required under the principle for reduction of taxation revenue.

User charges

- all revenues from user charges including sewer and water, transit, licences and permits, rents, concessions and franchises, the sale of goods or services to other governments, school boards and other municipalities, and other direct user charges.
- excludes those charges which are essentially flow throughs, such as charges to landowners for tile drainage and shoreline property assistance loans.

Grants

- all revenues in the form of grants from other governments including federal, provincial and municipal.

Other

- all revenue from other sources including investment income, penalties and interest.
- contributions, such as impost and lot levies, received from developers for the provision of municipal services for subdivisions.
- excludes net appropriations from reserves and reserve funds and the net proceeds from the issue of long term liabilities.

Proceeds from the issue of long term liabilities

- amounts received from the issue including premiums, and excluding discounts and underwriting cost.
- if received in a foreign currency the amount is to be converted into Canadian currency at that date.
- excludes transactions for long term liabilities of unconsolidated entities except to the extent that debt charges are recovered from general taxation.
- excludes transactions which are essentially flow throughs such as for tile drainage or shoreline property assistance loans.

Net appropriations from or to reserves and reserve funds

- all revenues and expenditures of reserves and reserve funds are to be included in the "Consolidated Statement of Operations".
- the amounts reported here represent the net change for the year in reserves and reserve funds.

- the creation or increase of a reserve should only be reported as appropriations to reserves on the "Consolidated Statement of Operations" and not as an expenditure on that statement.
- the decrease of a reserve should only be reported as appropriations from reserves on the "Consolidated Statement of Operations". The incurrence of the actual expenditure for which the reserve was set up should be reported as an expenditure for current operations or capital on the statement at that time. A decrease which represents excess requirements of the reserve can only be reported as an appropriation from reserves.
- where the increase and decrease of a reserve occur in the same year, the appropriations should be reported net.
- the creation or increase of a reserve fund should only be reported as appropriations to reserve funds on the "Consolidated Statement of Operations" and not as an expenditure on that statement. Specific revenues received for the creation or increase of a reserve fund should be reported as a source of financing on the "Consolidated Statement of Operations" at that time.
- the decrease of a reserve fund should only be reported as appropriations from reserve funds on the "Consolidated Statement of Operations". The incurrence of the actual expenditure for which the reserve fund was set up should be reported as an expenditure for current operations or capital on the statement at that time. A decrease which represents excess requirements of the reserve fund can only be reported as an appropriation from reserve funds.
- where the increase or decrease of a reserve fund occur in the same year, the appropriations should be reported net.

Municipal fund balances at the beginning of the year

- the beginning of the year surplus balances should be reported as sources of financing; deficits should be reported as a negative source.
- the total should as a minimum be segregated into its two components
 - to be offset by or recovered from taxation or user charges in the current year.
 - unapplied capital receipts or capital operations not yet permanently financed.
- where practical, the balance with respect to the capital operations should be segregated into its three components in the statement or in the notes to the financial statements.

- unapplied capital receipts.
- expenditures to be recovered from a future issue of a long term liability.
- to be recovered from taxation or user charges in a subsequent year(s).

APPLIED TO:

Current operations

- all current expenditures are to be reported by function or by subfunction, as set out in Appendix A.
- excludes those expenditures for debt charges which are essentially flow throughs such as debt charges for tile drainage and shoreline property assistance loans.
- excludes those expenditures which are capital in nature.

Capital

- all capital expenditures or outlays are to be reported by function or activity.
- includes transfer of sources of capital financing to those non-municipal organizations such as universities and hospitals.
- excludes transactions for long term liabilities of unconsolidated entities except to the extent that debt charges are recoverable from general taxation.
- excludes transactions which are essentially flow throughs as described earlier.

Municipal fund balances at the end of the year

- the same disclosure is recommended as that for the beginning balances, except that the balances should be reported as "applied to".

TRUST FUNDS STATEMENT OF CONTINUITY AND BALANCE SHEET

This statement is to report only those funds which are held in trust by or on behalf of the municipality. Trust funds of local boards, municipal enterprises, and utilities are to be consolidated as required under the general accounting principle for consolidation.

CAPTION CONTENT

STATEMENT OF CONTINUITY

Balance at the beginning of the year

- the fund balance at the end of the previous year.

Capital Receipts

- contributions received which are applicable to the capital portion of the fund.

Interest earned

- interest received or receivable from the investments of the fund.

Other revenue

- the aggregate of other revenue earned by the fund.

Expenditure

- specify any expenditures of the fund.

Balance at the end of the year

- the fund balance at the end of the year.

BALANCE SHEET

Cash

- bank balances and other deposits available on demand.

Investments

- specify all investments of the fund providing both cost and market value.

Other

- specify assets of the fund other than cash and investments.

Liabilities

- the liabilities of the fund classified as accounts payable and accrued liabilities and other.

Balances

- the balance of the fund classified where appropriate by Capital and Income.

NOTES TO THE FINANCIAL STATEMENTS

Notes to the financial statements are useful for the purpose of clarification or further explanation of the items in the financial statements. Notes have the same significance as if the information or explanations were set forth in the body of the statements themselves.

Specific notes required

1. Accounting policies

Notes are required to disclose the accounting policies with respect to:

(a) Basis of consolidation

- specifically describe the extent to which the operations, assets and liabilities of the municipality have been consolidated as required under the general accounting principle for consolidation.
- included are its reserves, reserve funds, capital fund, local boards, joint local boards, municipal enterprises, and utilities identifying those which are and those which are not consolidated or the extent to which they are consolidated.
- specifically disclose that the assets and liabilities, and the revenues and expenditures for school boards, the region (county), and trust funds are not consolidated.

(b) Basis of accounting

- specify that the financial statements have been prepared using the accrual basis of accounting and briefly describe what that means.
- disclose that historical cost and accumulated depreciation for fixed assets are not reported for municipal purposes.
- describe briefly the use and meaning of the term "Capital outlay to be recovered in future years".

(c) Failure to comply with accounting policies

- specify the accounting policy(ies) which has (have) not been applied in the financial statements.
- disclose the amount of the resulting impact(s) on the balance of municipal equity.

2. Operations of school boards and the region(county)

- further to the note on the basis of consolidation disclose the sources of revenues, the amounts of requisitions, and the balances of overlevies (underlevies) at the beginning and end of the year.

3. Contributions to unconsolidated joint local boards

- further to the note on the basis of consolidation, disclose that the operations, assets and liabilities of joint local boards are not consolidated.
- disclose the amount of the municipality's contribution to the joint local board which is included in the "Consolidated Statement of Operations".
- disclose also the municipality's share of the accumulated surplus (or deficit) at the end of the year with comparative figures, and of the amounts of liability, real or contingent, that the municipality may be required to meet.

4. Trust funds

- further to the note on the basis of consolidation, disclose the total amount of the assets under administration.

5. Investments

- describe the basis of valuation and the market value at the end of the year.

6. Liability for past service provision of pension agreements

- disclose the amount of the liability of the municipality and its local boards for past service provision, the extent to which this has been funded in the current year and the total to date, and the basis of the funding plan.

7. Liability for vested sick leave benefits

- disclose the liability of the municipality and its local boards for unused sick leave benefits which have vested and which could be taken in cash by terminating employees. The municipality's policy for providing for this liability should be disclosed together with details of the funding plan, the amount provided for in the current year and the accumulated provision at the end of the year.

8. Net long term liabilities

- disclose the long term liabilities incurred and outstanding at the end of the year and reconcile this amount with the net long term liabilities reported on the "Consolidated Balance Sheet".
- disclose separately those amounts to be recovered from general municipal revenues, benefitting landowners and consolidated municipal entities.
- disclose the amounts in five year intervals of principal payments to be made on the outstanding long term liabilities.
- where any outstanding long term liability is payable in a foreign currency, a note is required to disclose the amount of the liability, the currency in which it is payable and the basis of translation into Canadian funds.

When the carrying value differs from the liability translated at the rate of exchange prevailing at the end of the year, the amount of any significant differences should be disclosed.

- exclude those outstanding long term liabilities for those local boards, municipal enterprises and utilities whose operations are not consolidated unless the debt charges are to be recovered from general taxation.
- exclude those outstanding long term liabilities assumed by other municipalities and those issued as tile drainage and shoreline property assistance loans which are essentially flow throughs.
- in agreement with the amount reported as capital outlay to be recovered in future years.
- state that the Ontario Municipal Board (or private legislation) has or has not approved the long term financing which has occurred and is outstanding at the end of the year.

9. Municipal fund balances at the end of the year

- distinguish between amounts to be included as revenue (expenditure) in determining next year's taxation or user charges, and those amounts restricted in their use by Council, or by legislation, regulation, or agreement.
- provide necessary details for those amounts which are related to benefitting landowners, rather than to all the ratepayers in the municipality.
- report the basis of funding of unfinanced capital outlay which includes taxation or user charges, and pending issues of long term liabilities.
- state that the Ontario Municipal Board (or private legislation) has or has not approved the pending issue(s) of long term liabilities, and for those commitments to be financed from revenues beyond the term of Council.

10. Reserves and reserve funds

- distinguish between amounts set aside by Council from those required by legislation, regulation, or agreement.
- list individual reserve and reserve fund balances with comparative figures.
- disclose in summary form the changes in reserve and reserve fund balances.
- disclose the amount of assets of reserve funds which do not comply with the requirements of the Trustee Act.

11. Charges for net long term liabilities

- disclose the amount of principal and interest charges on net long term liabilities and the extent to which they are reflected in these statements.

12. Contingent liabilities

- disclose amount of long term liabilities outstanding for those local boards, municipal enterprises, and utilities whose operations are not consolidated.
- disclose amount of long term liabilities outstanding for tile drainage and shoreline property assistance loans.
- disclose amount of long term liabilities issued in the name of the municipality and assumed by others.

13. The following other notes should be provided as required:

(a) Contractual obligations

- disclose contracted obligations and commitments that are abnormally large in relation to the usual operations of the municipality.
- includes charges from the Ministry of the Environment for MOE operated and/or owned sewer and water systems.

(b) Extraordinary items

- disclose the effect and nature of the occurrences of individual items where separate disclosure on the "Consolidated Statement of Operations" is not practical.
- items resulting from events and transactions of a similar nature may be shown in the aggregate.
- to be included in the determination of the surplus (deficit) for the year.

(c) Prior period adjustments or errors

- restate prior year's figures.
- disclose the nature of the individual adjustment or error, its effect on prior year's statements, and that comparative prior period amounts in the financial statements have been restated.

(d) Changes in accounting policy

- disclose the nature of the change, its effect on the current year's financial statements including the effect on the municipal equity.

(e) Comparative figures

- disclose the amount by which the prior year's comparative figures have been restated for
 - prior period adjustments.
 - prior period errors.
 - changes in accounting policy.

(f) Subsequent events

- disclose nature of the events and the financial effect of such event on the financial statements.
- where appropriate, disclose that an estimate of the effect cannot be made.

SUPPLEMENTARY SCHEDULES

The preparation of supplementary schedules is not a mandatory requirement of the Municipal Financial Reporting Handbook.

Where supplementary schedules are prepared, such schedules should reflect compliance with the accounting principles and disclosure guidelines set out in the Handbook.

Consolidated Balance Sheet
As at December 31, 1983

ASSETS	1983	1982
	\$	\$
Unrestricted		
Cash	xx	xx
Investments (note 5)	xx	xx
Taxes receivable	xx	xx
User charges receivable	xx	xx
Accounts receivable	xx	xx
Other current assets	xx	xx
Long term receivables	xx	xx
	<u>xx</u>	<u>xx</u>
Restricted		
Cash	xx	xx
Accounts receivable	xx	xx
Other current assets	xx	xx
Long term receivables	xx	xx
Investment in own debentures	xx	xx
	<u>xx</u>	<u>xx</u>
Capital outlay financed by long term liabilities and to be recovered in future years (note 1(b))	<u>xx</u>	<u>xx</u>
	<u>xx</u>	<u>xx</u>
LIABILITIES		
Temporary loans	xx	xx
Accounts payable and accrued liabilities	xx	xx
Other current liabilities	xx	xx
	<u>xx</u>	<u>xx</u>
Net long term liabilities (note 8)	xx	xx
FUND BALANCES AT THE END OF THE YEAR (note 9)		
To be used to offset (or to be recovered from) taxation or user charges in 1984 (note 9)	xx	xx
Unapplied capital receipts (or capital operations not yet permanently financed) (note 9)	xx	xx
Reserves (note 10)	xx	xx
Reserve funds (note 10)	xx	xx
	<u>xx</u>	<u>xx</u>

The accompanying notes are an integral part of this financial statement.

The accompanying notes are an integral part of this financial statement.

**CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1983**

	Revenue Fund Budget \$	Fund Actual \$	Capital Fund Actual \$	Reserve Funds Actual \$	Reserves Actual \$	1983 Total Actual \$	1982 Total Actual \$
Sources of financing							
Taxation and user charges							
Residential and farm taxation	xx	xx				xx	xx
Commercial, Industrial and business taxation	xx	xx				xx	xx
Taxation from other governments	xx	xx				xx	xx
User charges	xx	xx				xx	xx
Deduct: Amounts received or receivable for Region (County) and school boards	(xx)	(xx)				(xx)	(xx)
Grants							
Government of Canada	xx	xx	xx			xx	xx
Province of Ontario	xx	xx	xx			xx	xx
Other municipalities	xx	xx				xx	xx
Other							
Contributions from developers	xx	xx				xx	xx
Investment income	xx	xx				xx	xx
Other	xx	xx				xx	xx
	<u>xx</u>	<u>xx</u>	<u>xx</u>			<u>xx</u>	<u>xx</u>
Proceeds from the issue of long term liabilities			xx			xx	xx
Expenditures							
General government	xx	xx	xx			xx	xx
Protection to persons and property	xx	xx	xx			xx	xx
Transportation services	xx	xx	xx			xx	xx
Environmental services	xx	xx	xx			xx	xx
Health services	xx	xx	xx			xx	xx
Social and family services	xx	xx	xx			xx	xx
Recreation and cultural services	xx	xx	xx			xx	xx
Planning and development	xx	xx	xx			xx	xx
Other	xx	xx	xx			xx	xx
	<u>xx</u>	<u>xx</u>	<u>xx</u>			<u>xx</u>	<u>xx</u>
Excess of financing over (under) expenditures before extraordinary items	xx	xx	xx			xx	xx
Extraordinary gains (losses)		xx				xx	xx
Excess of financing over (under) expenditures after extraordinary items	xx	xx	xx			xx	xx
Appropriations							
Net appropriations between funds		(xx)	xx	xx	(xx)	-	-
Fund balances at the beginning of the year	xx	xx	xx	xx	xx	xx	xx
Fund balances at the end of the year	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>

The accompanying notes are an integral part of this financial statement.

TRUST FUNDSMunicipality: _____
_____**STATEMENT OF CONTINUITY**

For the year ended December 31, 1983

	Total	A	B	C
	\$	\$	\$	\$
Balance at the beginning of the year	xx	xx	xx	xx
Capital receipts (specify)	xx	xx	xx	xx
Interest earned	xx	xx	xx	xx
Other revenue	xx	xx	xx	xx
	xx	xx	xx	xx
Expenditures (specify)	xx	xx	xx	xx
	xx	xx	xx	xx
Balance at the end of the year	xx	xx	xx	xx

BALANCE SHEET

as at December 31, 1983

	Total	A	B	C
	\$	\$	\$	\$
Assets				
Cash	xx	xx	xx	xx
Investments, at cost (market value \$)				
Canada	xx	xx	xx	xx
Provincial	xx	xx	xx	xx
Municipal - own	xx	xx	xx	xx
- other	xx	xx	xx	xx
	xx	xx	xx	xx
Other (specify)	xx	xx	xx	xx
	xx	xx	xx	xx
	xx	xx	xx	xx
Liabilities				
Accounts payable and accrued liabilities	xx	xx	xx	xx
Other	xx	xx	xx	xx
	xx	xx	xx	xx
Balance - capital	xx	xx	xx	xx
- income	xx	xx	xx	xx
	xx	xx	xx	xx

The accompanying notes are an integral part of this financial statement.

Analysis of Current Operations
For the year ended December 31, 1983

Schedule 1

_____ of _____
(name of municipality)

	1982 Actual \$	1983 Actual \$	1983 Budget \$	Budget Comparison Over (Under) \$
Revenue				
Taxation and user charges				
Residential and farm taxation				
Commercial, industrial and business taxation				
Taxation from other governments				
User charges				
Deduct:				
Amount received or receivable on behalf of the Region (County) and school boards	()	()	()	()
Grants				
Government of Canada				
Province of Ontario				
Other municipalities				
Other				
Contribution from developers				
Investment income				
Sale of land				
Other	_____	_____	_____	_____
Net municipal revenue	_____	_____	_____	_____
Expenditures				
General government				
Protection to persons and property				
Transportation services				
Environmental services				
Health services				
Social and family services				
Recreation and cultural services				
Planning and development				
Other	_____	_____	_____	_____
	_____	_____	_____	_____
Extraordinary gains (losses)	_____	_____	_____	_____
Net appropriations (to) from other funds				
• reserves				
• reserve funds				
• capital operations	_____	_____	_____	_____
	_____	_____	_____	_____
Surplus (deficit) for the year				
Surplus (deficit) at the beginning of the year	_____	_____	_____	_____
	_____	_____	_____	_____
Surplus (deficit) at the end of the year	_____	_____	_____	_____

Analysis of Capital Operations
For the year ended December 31, 1983

Schedule 2

_____ of _____
(name of municipality)

	1982 Actual \$	1983 Actual \$
Source of funds		
Long term liabilities incurred		
Ontario grants		
Other		
Appropriations from other funds		
• current operations		
• reserves		
• reserves funds		
Expenditures		
General government		
Protection to persons and property		
Transportation services		
Environmental services		
Health services		
Social and family services		
Recreation and cultural services		
Planning and development		
Other		
Unapplied capital receipts (or capital operations not yet financed) at the beginning of the year		
Unapplied capital receipts (or capital operations not yet financed) at the end of the year		

Analysis of Reserves and Reserve Funds
For the Year Ended December 31, 1983
 _____ of _____
 (name of municipality)

Schedule 3

	(Name of funds)			
	Total			
	\$	\$	\$	\$
Reserves				
Balance at the beginning of the year				
Appropriations from (to) current operations				
Appropriations to reserve funds	()	()	()	()
Appropriations to capital operations	()	()	()	()
Balance at the end of the year	_____	_____	_____	_____
	=====	=====	=====	=====
Reserve Funds				
Balance at the beginning of the year	_____	_____	_____	_____
Revenue				
Contributions from developers				
Interest earned				
Contributions from current operations				
Contributions from reserves	_____	_____	_____	_____
	_____	_____	_____	_____
Expenditures				
Contributions to current operations				
Contributions to capital operations	_____	_____	_____	_____
	_____	_____	_____	_____
Balance at the end of the year	=====	=====	=====	=====

APPENDIX A

GENERAL GOVERNMENT

Members of Council

Head of council (chairman, mayor, reeve, warden). Board of control (controllers). Council (aldermen, councillors). Ward offices. Administrative assistants, secretarial support, etc. allocated exclusively to head and members of council.

General administration

Officers and departments primarily involved in general administration and whose expenses cannot readily be allocated to any other functions (for example, chief administrative officer, clerk, treasurer). Administrative buildings. Elections. Audit. Conventions and delegations. Public receptions. Tax billing and collection costs. Restructuring studies. Interest on temporary loans. Interest charged by school boards and upper tier municipalities.

Provisions for allowance. Taxes written-off by authority of council (where no allowance has been set up). Foreign exchange losses. Discounts allowed on taxes. Discounts and other costs of debenture issues. Bank service charges. Other expenses which cannot be allocated to more specific functions.

PROTECTION TO PERSONS AND PROPERTY

Fire

Fire-fighting force (regular and volunteer). Fire hall. Alarm system.

Equipment. Hydrant rental. Auxiliary services. Fire prevention and inspection. Other fire protection expenses. Administration.

Police

Police force. Offices. Lock-ups. Equipment. Police animals. Boards of police commissioners. Conveyance of prisoners. Police communication systems. Other police protection expenditure. Garages. Administration.

Conservation Authority

Requisition of a Conservation Authority.

Protective inspection and control

Building and structural inspection. Fence viewing. Pest control. Animal control. Other by-law enforcement (where not a public health function). Weigh scales. Dog pounds. Contributions to humane societies. SPCA. Licencing commissions. Administration.

Unclassified

Emergency measures. Flood control. Flood damage repairs. Administration.

TRANSPORTATION SERVICES

Roadways

Repairs and maintenance of road surfaces, shoulders, roadsides, sidewalks and bridges. Contributions to suburban roads commission. Surface drains and ditches. Municipal portion of surface drainage projects carried out under the Drainage Act. Other drainage expenses. Administration.

Child crossing patrols. Pavement marking. Traffic signals. Traffic signs. Railway crossing signals. Guide posts, guard rails and barricades. Traffic studies. Other traffic control expenses. Other safety devices.

Winter control

Winter control as defined for grant purposes by the Ministry of Transportation and Communications.

Transit

Operations of transit commissions.

Parking

Parking control officers. Operations of parking authorities.

Street lighting

Lighting of streets, roadways, bridges, underpasses, etc.

Air transportation

Airport commissions. Landing strips and airports. Administration.

Unclassified

Docks. Harbours. Marinas. Contributions to harbour commissions.

ENVIRONMENTAL SERVICES

Sanitary sewer system

Sanitary sewers - including storm sewers only where there is a combined storm and sanitary sewer system. Public washrooms (other than those in parks or community centres). Service agreements with the Ministry of the Environment. Other sewer system expenses. Administration.

Storm sewer system

Storm sewer system where separate from sanitary sewer system. Administration.

Waterworks system

Waterworks system.

Garbage disposal

Disposal of garbage and waste (including incinerators, dumps and sanitary land fills). Administration.

Garbage collection

Collection of garbage and waste. Administration.

Pollution control

Derelict motor vehicle program. Other pollution control expenses.

HEALTH SERVICES

Public health services

Consolidated health unit costs. Contribution to district health councils. Requisition of an unconsolidated health unit. Maternal care. Child care. Venereal disease control. Communicable disease control (including immunization and vaccination). Care of indigents (medical attention out of hospital, drugs). Other public health expenses. Grants to voluntary health organizations. School dental care. Administration.

Public health inspections and control

Water, food, public eating places and other public health inspections. Disinfestation of premises. Medical care expenses. Administration.

Hospitals

Grants to public hospitals. Contributions to municipally-owned hospitals. Hospital debt met from municipal revenues.

Ambulance services

Municipally operated ambulance services. Contributions to privately operated ambulance services. Administration.

Cemeteries

Cemetery boards. Morgues. Contributions to private cemeteries. Administration.

SOCIAL AND FAMILY SERVICES

General assistance

Aid to unemployed and unemployable persons (living allowances, care of dependents, transportation and rehabilitation). Aid to incapacitated persons (homemaking and nursing). Requisitions of district welfare boards. Aid to indigents (emergency dental treatment and burial). Other general assistance expenses. Administration.

Assistance to aged persons

Homes for the aged. Housing for elderly persons. Home care. Social and recreational activities. Other assistance to the aged. Grants to voluntary organizations assisting the aged. Grants under the Municipal Elderly Residents' Assistance Act. Administration.

Assistance to children

Requisition of Children's Aid Societies. Grants to voluntary organizations. Other assistance to children.

Day nurseries

Day nurseries. Contributions to privately operated day nurseries. Administration.

RECREATION AND CULTURAL SERVICES

Parks and recreation

Parks. Board of Parks Management. Flower gardens and floral displays. Playgrounds and amusement parks. Golf courses. Tourist camps. Community centre and halls. Skating rinks. Swimming pools. Stadiums and arenas. Other parks and recreational facilities expenses. Administration.

Exhibitions and fairs. Public celebrations. Assistance to sport teams. Grants to voluntary organizations. Community and recreation programs. Other recreation expenses. Administration.

Libraries

Library boards. Other library expenses. Contributions to regional library boards (except Metro). Administration.

Other cultural

Zoos. Theatres. Auditoriums. Concert Halls. Art galleries. Museums and archives. Historic sites. Historical studies. Historical boards. Museum boards. Grants to voluntary organizations. Administration. Contributions to ethnic groups and celebrations. Horticultural societies. Scholarships and student awards. Entities incorporated to provide cultural services. Grants to universities and colleges. Other cultural expenses.

PLANNING AND DEVELOPMENT

Planning and zoning

The official plan. The planning department. The zoning by-law. Subdivision control. Planning boards. Committees of adjustment. Urban renewal surveys and studies. Other planning and zoning expenses. Land division committees. Judges plans. Administration.

Commercial and industrial development

Industrial or development commissions and committees. Industrial parks and land assembly for commercial and industrial purposes. Grants to boards of trade and chambers of commerce. Other industrial and commercial development expenses. Tourist information and promotion. Business improvement areas. Markets. Administration.

Residential development

Public housing. Land assembly for residential purposes. Other residential developments. Housing studies. Ontario Home Renewal Plan administration. Trailer parks. Non-profit housing agencies. Administration.

Agriculture and reforestation

Advancement of agriculture. Private portion of surface drainage projects carried out under the Drainage Act. Reforestation. Weed control and tree cutting. Grants to agricultural societies.

Tile drainage/shoreline assistance

Projects carried out under the Tile Drainage Act. Projects carried out under the Shoreline Property Assistance Act.

OTHER

Hydro utilities

Operating costs of hydro utilities.

Gas utilities

Operating costs of gas utilities.

Telephone commission

Operating costs of telephone commission.

Other

Specify.

APPENDIX B

CAPITAL LEASE

A capital lease is defined as a lease that, from the point of view of the lessee, transfers substantially all the benefits and risks incident to ownership of property to the lessee when at the inception of the lease, one or more of the following considerations are present:

- (1) there is reasonable assurance that the lessee will obtain ownership of the leased property by the end of the lease term. **Reasonable assurance that the lessee will obtain ownership of the leased property would be present when the terms of the lease would result in ownership being transferred to the lessee by the end of the lease term or when the lease provides for a bargain purchase option;**
- (2) the lease term is of such a duration that the lessee will receive substantially all of the economic benefits expected to be derived from the use of the leased property over its life span. **Although the lease term may not be equal to the economic life of the leased property in terms of years, the lessee would normally be expected to receive substantially all of the economic benefits to be derived from the leased property when the lease term is equal to a major portion (usually 75% or more) of the economic life of the leased property. This is due to the fact that new equipment reflecting later technology and in prime condition, may be assumed to be more efficient than old equipment which has been subject to obsolescence and wear;**
- (3) the lessor would be assured of recovering the investment in the leased property and of earning a return on the investment as a result of the lease agreement. **This condition would exist if the present value (the discount rate used by the lessee would be the lower of the lessee's rate for incremental borrowing and the interest rate implicit in the lease, if known) at the beginning of the lease term, of the minimum lease payments, excluding any portion thereof relating to executory costs, is equal to substantially all (usually 90% or more) of the fair value of the leased property, at the inception of the lease.**

In view of the fact that land normally has an indefinite useful life, it is not possible for the lessee to receive substantially all the benefits and risks associated with its ownership, unless there is reasonable assurance that ownership will pass to the lessee by the end of the lease term.

The existence of any of the following conditions by themselves is not sufficient evidence that substantially all the benefits and risks of ownership have been transferred to the lessee;

- (a) lessee pays costs incidental to ownership. **This condition is considered inappropriate because in virtually all leasing agreements the lessee will either directly or indirectly pay such costs;**
- (b) lessee has the option to purchase the asset for the lessee's unrecovered investment. **This condition is considered inappropriate because there is no assurance that the lessee will exercise the option.**
- (c) leased property is special purpose to the lessee. **This condition is considered insufficient because the concept of "special purpose" is relative and difficult to define. In addition, the fact that the leased property is special purpose does not, in itself, evidence a transfer of substantially all of the benefits and risks of asset ownership. Although it is expected that most lessors would lease special purpose property only under terms that transfer substantially all of those benefits and risks to the lessee, nothing in the nature of special purpose property necessarily entails such terms.**

